

**FRANKLIN TOWNSHIP**

**Lenawee County**

**Annual Financial Report**

**March 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                               |  |                          |
|---|-------------------------------|--|--------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                               | Local Government Name<br><b>FRANKLIN TOWNSHIP</b>            | County<br><b>LENAWEE</b> |
| Audit Date<br><b>3/31/04</b>  | Opinion Date<br><b>7/9/04</b> | Date Accountant Report Submitted to State:<br><b>7/13/04</b> |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

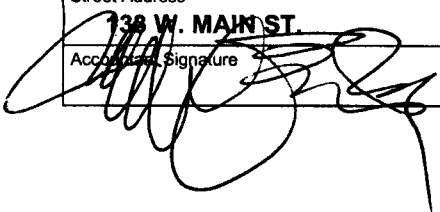
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|  |                        |                       |                     |
|--|------------------------|-----------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>PHILIP R. RUBLEY, CPA</b>                                    |                        |                       |                     |
| Street Address<br><b>138 W. MAIN ST.</b>   | City<br><b>MORENCI</b> | State<br><b>MI</b>    | ZIP<br><b>49256</b> |
| Accountant Signature<br> |                        | Date<br><b>7/9/04</b> |                     |

**FRANKLIN TOWNSHIP**  
**Annual Report**  
**Year Ended March 31, 2004**

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# PHILIP R. RUBLEY

- *Certified Public Accountant* -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

July 9, 2004

Township Board  
Franklin Township  
Lenawee County  
Tipton, MI 49287

## Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Franklin Township, Lenawee County, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Franklin Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Franklin Township, Lenawee County, Michigan as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Franklin Township, Lenawee County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully Submitted,

  
Philip R. Rubley, CPA  
Morenci, Michigan

**FRANKLIN TOWNSHIP**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**March 31, 2004**

|   | <b>Governmental</b>     |                           |
|---|-------------------------|---------------------------|
|   | <b><u>Fund Type</u></b> |                           |
|   | <b><u>General</u></b>   | <b><u>Debt</u></b>        |
| <b><u>Assets</u></b>                      | <b><u>Fund</u></b>      | <b><u>Service</u></b>     |
| Cash and Investment                       | \$552,941               | \$ 585,425                |
| Cash at County                            | ---                     | 284,957                   |
| <b>Receivables:</b>                       |                         |                           |
| Special Assessments                       | ---                     | 1,115,642                 |
| Delinquent Taxes                          | 6,138                   | ---                       |
| Other                                     | 189                     | 15,826                    |
| Due From Other Funds                      | 77,223                  | 147,008                   |
| Sewer System                              | ---                     | ---                       |
| General Fixed Assets                      | ---                     | ---                       |
| Amount to be provided for Long-Term Debt  | ---                     | ---                       |
| Amount available in Debt Service Fund     | ---                     | ---                       |
| <b>Total Assets</b>                       | <b><u>\$636,491</u></b> | <b><u>\$2,148,858</u></b> |
| <b><u>Liabilities And Fund Equity</u></b> |                         |                           |
| <b><u>Liabilities:</u></b>                |                         |                           |
| Accounts Payable                          | \$ 6,746                | \$ ---                    |
| Interest Payable                          | ---                     | 29,075                    |
| Due to Other Funds                        | ---                     | ---                       |
| Due to Sand Lake Fire Department          | ---                     | ---                       |
| Due to Schools                            | ---                     | ---                       |
| Due to County and Other Governments       | ---                     | ---                       |
| Deferred Revenue                          | ---                     | 949,853                   |
| Bonds Payable                             | ---                     | ---                       |
| Performance Bond Payable                  | ---                     | ---                       |
| <b>Total Liabilities</b>                  | <b><u>6,746</u></b>     | <b><u>978,928</u></b>     |
| <b>Fund Equity:</b>                       |                         |                           |
| Contributed Capital                       | ---                     | ---                       |
| Investment - General Fixed Assets         | ---                     | ---                       |
| Fund Balances:                            |                         |                           |
| Designated for Building and Site          | 104,313                 | ---                       |
| Unrestricted                              | 525,432                 | ---                       |
| Reserved for Debt Service                 | ---                     | 1,169,930                 |
| Reserved for Perpetual Care               | ---                     | ---                       |
| Retained Earnings                         | ---                     | ---                       |
| <b>Total Fund Equity</b>                  | <b><u>629,745</u></b>   | <b><u>1,169,930</u></b>   |
| <b>Total Liabilities and Fund Equity</b>  | <b><u>\$636,491</u></b> | <b><u>\$2,148,858</u></b> |

See accompanying notes to financial statements.

| <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type<br/>Trust<br/>And<br/>Agency</u> | <u>Account Groups</u>               |                                       | <u>Totals<br/>(Memorandum<br/>Only)</u> |                    |
|----------------------------------|---|-------------------------------------|---------------------------------------|---|--------------------|
|                                  |   | <u>General<br/>Fixed<br/>Assets</u> | <u>General<br/>Long-Term<br/>Debt</u> | <u>2004</u>                             | <u>2003</u>        |
| <u>Sewer<br/>Fund</u>            |   |                                     |                                       |   |                    |
| \$ 2,970                         | \$324,824   | \$ ---                              | \$ ---                                | \$1,466,160                             | \$1,486,745        |
| 185,710                          | ---   | ---                                 | ---                                   | 470,667                                 | 470,667            |
| ---                              | ---   | ---                                 | ---                                   | 1,115,642                               | 1,142,924          |
| ---                              | 6,126   | ---                                 | ---                                   | 12,264                                  | 22,874             |
| 22,056                           | ---   | ---                                 | ---                                   | 38,071                                  | 37,504             |
| 4,158                            | ---   | ---                                 | ---                                   | 228,389                                 | 258,261            |
| 2,385,635                        | ---   | ---                                 | ---                                   | 2,385,635                               | 2,440,424          |
| ---                              | ---   | 115,985                             | ---                                   | 115,985                                 | 110,367            |
| ---                              | ---   | ---                                 | 122,270                               | 122,270                                 | 209,251            |
| ---                              | ---   | ---                                 | 1,169,930                             | 1,169,930                               | 1,189,549          |
| <u>\$2,600,529</u>               | <u>\$330,950</u>  | <u>\$115,985</u>                    | <u>\$1,292,200</u>                    | <u>\$7,125,013</u>                      | <u>\$7,368,566</u> |
| \$ 722                           | \$ ---  | \$ ---                              | \$ ---                                | 7,468                                   | 6,322              |
| ---                              | ---   | ---                                 | ---                                   | 29,075                                  | 32,535             |
| ---                              | 228,389   | ---                                 | ---                                   | 228,389                                 | 258,261            |
| ---                              | ---   | ---                                 | ---                                   | ---                                     | 1,610              |
| ---                              | 21,135  | ---                                 | ---                                   | 21,135                                  | 21                 |
| ---                              | 79,600  | ---                                 | ---                                   | 79,600                                  | 10,917             |
| ---                              | ---   | ---                                 | ---                                   | 949,853                                 | 1,130,294          |
| ---                              | ---   | ---                                 | 1,292,200                             | 1,292,200                               | 1,398,800          |
| ---                              | 780   | ---                                 | ---                                   | 780                                     | 1,780              |
| <u>722</u>                       | <u>329,904</u>  | <u>---</u>                          | <u>1,292,200</u>                      | <u>2,608,500</u>                        | <u>2,840,540</u>   |
| 2,571,549                        | ---   | ---                                 | ---                                   | 2,571,549                               | 2,626,254          |
| ---                              | ---   | 115,985                             | ---                                   | 115,985                                 | 110,367            |
| ---                              | ---   | ---                                 | ---                                   | 104,313                                 | 102,429            |
| ---                              | ---   | ---                                 | ---                                   | 525,432                                 | 465,890            |
| ---                              | ---   | ---                                 | ---                                   | 1,169,930                               | 1,189,549          |
| ---                              | 1,046   | ---                                 | ---                                   | 1,046                                   | 1,027              |
| 28,258                           | ---   | ---                                 | ---                                   | 28,258                                  | 32,510             |
| <u>2,599,807</u>                 | <u>1,046</u>  | <u>115,985</u>                      | <u>---</u>                            | <u>4,516,513</u>                        | <u>4,528,026</u>   |
| <u>\$2,600,529</u>               | <u>\$330,950</u>  | <u>\$115,985</u>                    | <u>\$1,292,200</u>                    | <u>\$7,125,013</u>                      | <u>\$7,368,566</u> |

**FRANKLIN TOWNSHIP**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances -**  
**All Governmental Fund Types And Expendable Trust Fund**  
**March 31, 2004**

|  | <u>Governmental<br/>Fund Types</u> |                         | <u>Expendable<br/>Trust Fund<br/>Lindberg<br/>Cemetery<br/>Trust Fund</u> |
|--|------------------------------------|-------------------------|---|
|  | <u>General<br/>Fund</u>            | <u>Debt<br/>Service</u> |   |
| <b><u>Revenues:</u></b>                                  |                                    |                         |   |
| Property Taxes   | \$ 81,966                          | \$ ---                  | \$ ---  |
| Special Assessments                                      | ---                                | 162,833                 | ---   |
| Licenses and Permits                                     | 29,176                             | ---                     | ---   |
| Trailer Court Tax  | 442                                | ---                     | ---   |
| Intergovernmental Revenues                               | 205,617                            | ---                     | ---   |
| Cemetery Lots and Burial Income                          | 8,500                              | ---                     | ---   |
| Hearing Fees   | 2,575                              | ---                     | ---   |
| Cable TV Franchise Tax                                   | 4,041                              | ---                     | ---   |
| Interest   | 4,194                              | 2,768                   | 19  |
| Sewer Reimbursement                                      | 5,484                              | ---                     | ---   |
| Miscellaneous Revenue                                    | 36,929                             | ---                     | ---   |
| <b>Total Revenues</b>                                    | <u>378,924</u>                     | <u>165,601</u>          | <u>19</u>   |
| <b><u>Expenditures:</u></b>                              |                                    |                         |   |
| General Government                                       | 139,902                            | ---                     | ---   |
| Public Safety  | 35,064                             | ---                     | ---   |
| Highways, Streets and Bridges                            | 126,843                            | ---                     | ---   |
| Sanitation   | 15,689                             | ---                     | ---   |
| Bond Principal and Interest<br>And Payment of Agent Fees | ---                                | 185,220                 | ---   |
| <b>Total Expenditures</b>                                | <u>317,498</u>                     | <u>185,220</u>          | <u>---</u>  |
| <b>Excess of Revenues Over Expenditures</b>              | 61,426                             | (19,619)                | 19  |
| <b>Fund Balance - Beginning of Year</b>                  | <u>568,319</u>                     | <u>1,189,549</u>        | <u>1,027</u>  |
| <b>Fund Balances - End of Year</b>                       | <u>\$629,745</u>                   | <u>\$1,169,930</u>      | <u>\$1,046</u>  |

See accompanying notes to financial statements.

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**Totals**  
**(Memorandum**  
**Only)**

| <u>2004</u>        | <u>2003</u>        |
|--------------------|--------------------|
| \$ 81,966          | \$ 78,309          |
| 162,833            | 198,365            |
| 29,176             | 29,684             |
| 442                | 455                |
| 205,617            | 223,313            |
| 8,500              | 2,945              |
| 2,575              | 3,825              |
| 4,041              | 2,948              |
| 6,981              | 114,590            |
| 5,484              | 5,903              |
| <u>36,929</u>      | <u>5,534</u>       |
| <u>544,544</u>     | <u>665,871</u>     |
| 139,902            | 119,955            |
| 35,064             | 33,083             |
| 126,843            | 157,607            |
| 15,689             | 15,965             |
| <u>185,220</u>     | <u>185,597</u>     |
| <u>502,718</u>     | <u>512,207</u>     |
| 41,826             | 153,664            |
| <u>1,758,895</u>   | <u>1,605,231</u>   |
| <u>\$1,800,721</u> | <u>\$1,758,895</u> |



**FRANKLIN TOWNSHIP**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances**  
**- Budget (GAAP Basis) And Actual - General And Debt Service Funds**  
**March 31, 2004**

|                                   | <u>General Fund</u> |               | <u>Variance</u> |
|-----------------------------------|---------------------|---------------|-----------------|
|                                   | <u>Budget</u>       | <u>Actual</u> | <u>Over</u>     |
| <u>Revenues:</u>                  |                     |               | <u>(Under)</u>  |
| Property Taxes                    | \$100,000           | \$ 81,966     | \$ (18,034)     |
| Special Assessments               | ---                 | ---           | ---             |
| Licenses and Permits:             |                     |               |                 |
| Building Permits                  | 16,000              | 16,860        | 860             |
| Electrical Permits                | 10,000              | 12,316        | 2,316           |
| <b>Total Licenses and Permits</b> | 26,000              | 29,176        | 3,176           |
| Trailer Court Tax                 | 450                 | 442           | (8)             |
| Intergovernmental Revenues:       |                     |               |                 |
| State Shared Revenue              | 215,000             | 205,617       | (9,383)         |
| Cemetery Lots and Burial Income   | 4,000               | 8,500         | 4,500           |
| Heating Fees                      | 2,500               | 2,575         | 75              |
| Cable TV Franchise Fee            | 3,000               | 4,041         | 1,041           |
| Interest Income                   | 5,000               | 4,194         | (806)           |
| Sewer Reimbursement               | 6,000               | 5,484         | (516)           |
| Miscellaneous                     | 4,450               | 36,929        | 32,479          |
| <b>Total Revenues</b>             | 366,400             | 378,924       | 12,524          |

See accompanying notes to financial statements.

| <u>Debt Service Fund</u> |                |  | <u>Totals</u><br>(Memorandum Only) |                              |
|--------------------------|----------------|--|------------------------------------|------------------------------|
| <u>Budget</u>            | <u>Actual</u>  | <u>Variance</u><br><u>Over</u><br><u>(Under)</u> | <u>2004</u><br><u>Actual</u>       | <u>2003</u><br><u>Actual</u> |
| \$ ---                   | \$ ---         | \$ ---   | \$ 81,966                          | \$ 78,309                    |
| <u>165,000</u>           | <u>162,833</u> | <u>(2,167)</u>                                   | <u>162,833</u>                     | <u>198,365</u>               |
| ---                      | ---            | ---  | 16,860                             | 17,785                       |
| ---                      | ---            | ---  | <u>12,316</u>                      | <u>11,899</u>                |
| ---                      | ---            | ---  | <u>29,176</u>                      | <u>29,684</u>                |
| ---                      | ---            | ---  | <u>442</u>                         | <u>455</u>                   |
| ---                      | ---            | ---  | <u>205,617</u>                     | <u>223,313</u>               |
| ---                      | ---            | ---  | <u>8,500</u>                       | <u>2,945</u>                 |
| ---                      | ---            | ---  | <u>2,575</u>                       | <u>3,825</u>                 |
| ---                      | ---            | ---  | <u>4,041</u>                       | <u>2,948</u>                 |
| <u>2,000</u>             | <u>2,768</u>   | <u>768</u>                                       | <u>6,962</u>                       | <u>114,578</u>               |
| ---                      | ---            | ---  | <u>5,484</u>                       | <u>5,903</u>                 |
| ---                      | ---            | ---  | <u>36,929</u>                      | <u>5,534</u>                 |
| <u>167,000</u>           | <u>165,601</u> | <u>(1,399)</u>                                   | <u>544,525</u>                     | <u>665,859</u>               |

**FRANKLIN TOWNSHIP**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances**  
**- Budget (GAAP Basis) And Actual - General And Debt Service Funds**  
**For The Year Ended March 31, 2004**

|  | <u>General Fund</u> |                | <u>Variance</u> |
|--|---------------------|----------------|-----------------|
|  | <u>Budget</u>       | <u>Actual</u>  | <u>Over</u>     |
|  |                     |                | <u>(Under)</u>  |
| <b><u>Expenditures:</u></b>                  |                     |                |                 |
| General Government:                          |                     |                |                 |
| Township Board/Trustees                      | \$ 25,000           | \$ 19,641      | \$ 5,359        |
| Supervisor                                   | 15,500              | 15,490         | 10              |
| Assessor                                     | 23,250              | 21,517         | 1,733           |
| Clerk  | 16,500              | 14,903         | 1,597           |
| Treasurer                                    | 20,200              | 19,869         | 331             |
| Legal and Audit                              | 9,100               | 9,048          | 52              |
| Boards of Review and Appeal                  | 4,000               | 2,410          | 1,590           |
| Elections                                    | 2,500               | ---            | 2,500           |
| Township Hall                                | 7,500               | 3,561          | 3,939           |
| Cemetery                                     | 16,600              | 16,373         | 227             |
| Planning and Zoning                          | 20,000              | 17,090         | 2,910           |
| <b>Total General Government</b>              | <u>160,150</u>      | <u>139,902</u> | <u>20,248</u>   |
| <b><u>Public Safety:</u></b>                 |                     |                |                 |
| Building Inspection                          | 24,250              | 22,857         | 1,393           |
| Electrical Inspection                        | 13,000              | 12,207         | 793             |
| Fire Hydrant                                 | 7,000               | ---            | 7,000           |
| <b>Total Public Safety</b>                   | <u>44,250</u>       | <u>35,064</u>  | <u>9,186</u>    |
| <b><u>Highways, Streets and Bridges:</u></b> |                     |                |                 |
| Highways, Streets and Bridges                | 479,147             | 124,911        | 354,236         |
| Street Lighting                              | 2,200               | 1,932          | 268             |
| <b>Total Highways, Streets and Bridges</b>   | <u>481,347</u>      | <u>126,843</u> | <u>354,504</u>  |

See accompanying notes to financial statements.

| <u>Debt Service Fund</u> |               |  | <u>Totals</u><br>(Memorandum Only) |                              |
|--------------------------|---------------|--|------------------------------------|------------------------------|
| <u>Budget</u>            | <u>Actual</u> | <u>Variance</u><br><u>Over</u><br><u>(Under)</u> | <u>2004</u><br><u>Actual</u>       | <u>2003</u><br><u>Actual</u> |
| \$ ---                   | \$ ---        | \$ ---   | \$ 19,641                          | \$ 19,809                    |
| ---                      | ---           | ---  | 15,490                             | 13,035                       |
| ---                      | ---           | ---  | 21,517                             | 20,913                       |
| ---                      | ---           | ---  | 14,903                             | 11,422                       |
| ---                      | ---           | ---  | 19,869                             | 14,854                       |
| ---                      | ---           | ---  | 9,048                              | 6,214                        |
| ---                      | ---           | ---  | 2,410                              | 6,091                        |
| ---                      | ---           | ---  | ---                                | 2,804                        |
| ---                      | ---           | ---  | 3,561                              | 3,351                        |
| ---                      | ---           | ---  | 16,373                             | 7,828                        |
| ---                      | ---           | ---  | 17,090                             | 13,634                       |
| ---                      | ---           | ---  | 139,902                            | 119,955                      |
| ---                      | ---           | ---  | 22,857                             | 21,891                       |
| ---                      | ---           | ---  | 12,207                             | 11,192                       |
| ---                      | ---           | ---  | ---                                | ---                          |
| ---                      | ---           | ---  | 35,064                             | 33,083                       |
| ---                      | ---           | ---  | 124,911                            | 155,840                      |
| ---                      | ---           | ---  | 1,932                              | 1,767                        |
| ---                      | ---           | ---  | 126,843                            | 157,607                      |

**FRANKLIN TOWNSHIP**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances**  
**- Budget (GAAP Basis) And Actual - General And Debt Service Funds**  
**For The Year Ended March 31, 2004**

|  | <u>General Fund</u> |                  | <b>Variance<br/>Over<br/>(Under)</b> |
|--|---------------------|------------------|--------------------------------------|
|  | <u>Budget</u>       | <u>Actual</u>    |                                      |
| <b><u>Sanitation:</u></b>                |                     |                  |                                      |
| Landfill                                 | \$ 10,800           | \$ 7,780         | \$ 3,020                             |
| Drain At Large                           | 2,970               | 2,962            | 8                                    |
| Sewer Collection                         | 6,000               | 4,947            | 1,053                                |
| <b>Total Sanitation</b>                  | <u>19,770</u>       | <u>15,689</u>    | <u>4,081</u>                         |
| <b><u>Debt Service:</u></b>              |                     |                  |                                      |
| Bond Payments                            | ---                 | ---              | ---                                  |
| Interest / Etc.                          | ---                 | ---              | ---                                  |
| <b>Total Debt Service</b>                | <u>---</u>          | <u>---</u>       | <u>---</u>                           |
| <b>Total Expenditures</b>                | <u>705,517</u>      | <u>317,498</u>   | <u>388,019</u>                       |
| Excess of Revenues Over Expenditures     | (339,117)           | 61,426           | 400,543                              |
| <b>Fund Balances - Beginning of Year</b> | <u>568,319</u>      | <u>568,319</u>   | <u>---</u>                           |
| <b>Fund Balances - End of Year</b>       | <u>\$ 229,202</u>   | <u>\$629,745</u> | <u>\$400,543</u>                     |

See accompanying notes to financial statements.

| <u>Debt Service Fund</u> |                    |                                      | <u>Totals</u><br>(Memorandum Only) |                        |
|--------------------------|--------------------|--------------------------------------|------------------------------------|------------------------|
| <u>Budget</u>            | <u>Actual</u>      | <u>Variance<br/>Over<br/>(Under)</u> | <u>2004<br/>Actual</u>             | <u>2003<br/>Actual</u> |
| \$ ----                  | \$ ----            | \$ ----                              | \$ 7,780                           | \$ 10,200              |
| ----                     | ----               | ----                                 | 2,962                              | 1,722                  |
| ----                     | ----               | ----                                 | 4,947                              | 4,043                  |
| ----                     | ----               | ----                                 | 15,689                             | 15,965                 |
| 106,600                  | 106,600            | ----                                 | 106,600                            | 106,600                |
| 80,000                   | 78,620             | 1,380                                | 78,620                             | 78,997                 |
| 186,600                  | 185,220            | 1,380                                | 185,220                            | 185,597                |
| 186,600                  | 185,220            | 1,380                                | 502,718                            | 512,207                |
| (19,600)                 | (19,619)           | (19)                                 | 41,807                             | 153,652                |
| 1,189,549                | 1,189,549          | ----                                 | 1,757,868                          | 1,604,216              |
| <u>\$1,169,949</u>       | <u>\$1,169,930</u> | <u>\$ (19)</u>                       | <u>\$1,799,675</u>                 | <u>\$1,757,868</u>     |

**FRANKLIN TOWNSHIP**  
**Comparative Statements Of Revenues, Expenses And Changes In Retained Earnings**  
**And Contributed Capital - Sewer Fund**  
**For The Years Ended March 31, 2004 And 2003**

|   | <u>2004</u>        | <u>2003</u>        |
|---|--------------------|--------------------|
| <b><u>Operating Revenues:</u></b>                                   |                    |                    |
| Sewer Usage Fees  | \$ 74,904          | \$ 81,108          |
| <b>Total Operating Revenues</b>                                     | <u>74,904</u>      | <u>81,708</u>      |
| <b><u>Operating Expenses:</u></b>                                   |                    |                    |
| Operating and Maintenance Expense                                   | 72,865             | 78,418             |
| Administrative Expense  | 6,207              | 5,903              |
| Depreciation  | 54,789             | 54,825             |
| Miscellaneous   | ---                | 10                 |
| <b>Total Operating Expenses</b>                                     | <u>133,861</u>     | <u>139,156</u>     |
| Net Loss  | (58,957)           | (58,048)           |
| Add: Depreciation on Sewer System<br>Funded by Contributed Capital  | 54,705             | 54,705             |
| <b>Retained Earnings - Beginning of Year</b>                        | <u>32,510</u>      | <u>35,853</u>      |
| <b>Retained Earnings - End of Year</b>                              | <u>\$ 28,258</u>   | <u>\$ 32,510</u>   |
| Contributed Capital - Beginning of Year                             | \$2,626,254        | \$2,678,767        |
| Interest Earned   | ---                | 2,192              |
| Less: Depreciation on Sewer System<br>Funded by Contributed Capital | <u>(54,705)</u>    | <u>(54,705)</u>    |
| <b>Contributed Capital - End of Year</b>                            | <u>\$2,571,549</u> | <u>\$2,626,254</u> |

**FRANKLIN TOWNSHIP**  
**Comparative Statements Of Cash Flows**  
**Sewer Fund**  
**For The Years Ended March 31, 2004 And 2003**

**DECREASE IN CASH AND CASH EQUIVALENTS**

|   | <u>2004</u>      | <u>2003</u>      |
|---|------------------|------------------|
| <b><u>Cash Flows From Operating Activities:</u></b>                     |                  |                  |
| Cash Received From Customers  | \$ 78,683        | \$ 81,255        |
| Cash For Operating and Maintenance                                      | (72,865)         | (78,418)         |
| Cash For Administrative Expense   | (5,485)          | (5,913)          |
| <b>Net Cash Used In Operating Activities</b>                            | <u>333</u>       | <u>(3,076)</u>   |
| <b><u>Cash Flows From Capital and Related Financing Activities:</u></b> |                  |                  |
| Interest Income   | ---              | 2,192            |
| Construction Costs - Sewer System                                       | ---              | (4,224)          |
| <b>Net Cash Used In Capital and Related Financing Activities</b>        | <u>---</u>       | <u>(2,032)</u>   |
| Decrease In Cash and Cash Equivalents                                   | 333              | (5,108)          |
| <b>Fund Balances - Beginning of Year</b>                                | <u>188,347</u>   | <u>193,455</u>   |
| <b>Fund Balances - End of Year</b>                                      | <u>\$188,680</u> | <u>\$188,347</u> |

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES**

|   |               |                   |
|---|---------------|-------------------|
| Operating Loss  | \$ (58,957)   | \$ (58,048)       |
| <b><u>Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities:</u></b> |               |                   |
| Depreciation  | 54,705        | 54,825            |
| (Increase) Decrease In Accounts Receivable  | 4,585         | 147               |
| <b>Net Cash Used In Operating Activities</b>  | <u>\$ 333</u> | <u>\$ (3,076)</u> |



**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Franklin Township, Lenawee County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**A. FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and three broad fund categories as follows:

**GOVERNMENTAL FUNDS**

**General Fund -**

The General Fund is the General Operating Fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund -**

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by Proprietary or Nonexpendable Trust Funds.

**PROPRIETARY FUNDS**

**Proprietary Funds -**

The Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. The Proprietary Fund includes the following fund type:

**Sewer Fund -**

The Sewer Fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs, incurred, and/or net income is necessary for management accountability.

**FIDUCIARY FUNDS**

**Trust and Agency Funds -**

The Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Trust and Agency Funds. Expendable

**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

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Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (Assets equal liabilities) and do not involve measurement of results of operations.

**B. FIXED ASSETS AND LIABILITIES**

The accounting and reporting treatment applied to the fixed assets and liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on its balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increase (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters; streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. Depreciation of the sewer system in the Proprietary Fund is computed using the straight-line method.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations. The General Fixed Assets Account Group is used to account for fixed assets not accounted for in Proprietary or Trust Funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of Proprietary or Trust Funds.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

All Governmental Funds and Expendable Trusts are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

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Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**D. INVESTMENTS**

All invested money of the Township is in either savings, money master accounts, or certificates of deposit and is shown at cost in the financial statements.

**E. COMPARATIVE DATA**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations.

**F. PROPERTY TAXES**

Properties are assessed as of December 31 and the tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2003 are revenues in the Township's fiscal year ended March 31, 2004.

A lien on the property occurs when the taxes are levied. The taxes levied July 1 are payable by August 31 without penalty. The taxes levied December 1 are payable by February 14 without penalty.

Since the County through revolving funds obtains the delinquent real property taxes for the Township, the sixty (60) day rule does not apply to such delinquent taxes receivable.

**G. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents defined for the Statement of Cash Flows are demand deposits and short-term investments with maturities of less than three months.

**H. ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW**

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to

**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

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facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 2: FRANKLIN TOWNSHIP - REPORTING ENTITY:**

The Township of Franklin is a non-charter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Franklin Township as a primary government. There are no component units to the Township.

**Note 3: PENSION PLAN:**

The Township provides pension benefits for elected officials and full time employees through a defined contribution plan. The plan is through an insurance company in connection with the Michigan Township Association.

Officials/employees are eligible to participate at the first policy anniversary date after becoming employed and are at least twenty-one (21) years old. The contributions to the plan are invested in mutual funds.

Contributions to the plan in fiscal year 2003-2004 were \$5,490.

For fiscal year 2003-2004, the Township's salaries and wages were \$57,566 for covered participants.

Provisions of the plan are full immediate vesting; death benefit provided; and lump sum option available at retirement.

**Note 4: LINDBERG CEMETERY TRUST FUND:**

The Lindberg Cemetery Trust Fund was established by the Last Will and Testament of Addie Lindberg. The funds from this trust are restricted to the care and maintenance of her grave site.

**Note 5: GENERAL FIXED ASSETS:**

The Township established records on its General Fixed Assets in 1981-1982.

A summary of changes in general fixed assets follows:

|              | <u>Balance</u><br><u>4/1/03</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>3/31/04</u> |
|--------------|---------------------------------|------------------|------------------|----------------------------------|
| Land         | \$ 33,312                       | \$ ---           | \$ ---           | \$ 33,312                        |
| Buildings    | 25,881                          | ---              | ---              | 25,881                           |
| Equipment    | <u>51,174</u>                   | <u>5,618</u>     | <u>---</u>       | <u>56,792</u>                    |
| <b>Total</b> | <u>\$110,367</u>                | <u>\$5,618</u>   | <u>\$ ---</u>    | <u>\$115,985</u>                 |

**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

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**Note 6: FIXED ASSETS - SEWER FUND:**

Fixed assets in the Sewer Fund consist of the following:

|                                |                    |
|--------------------------------|--------------------|
| Sewer System                   | \$2,739,451        |
| Less: Accumulated Depreciation | <u>(353,816)</u>   |
|                                | <u>\$2,385,635</u> |

**Note 7: BUDGETS AND BUDGETARY ACCOUNTING:**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Budget appropriations lapse at the end of fiscal year. The approved budgets of the Township for these budgetary funds were adopted at the function/activity level and adopted on a basis consisted with generally accepted accounting principles (GAAP).

No overall fund incurred expenditures in excess of budget. No function within the General Fund had expenditures that exceed budget.

**Note 8: INTERFUND RECEIVABLES AND PAYABLES:**

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u>  | <u>Interfund<br/>Receivable</u> | <u>Fund</u>    | <u>Interfund<br/>Payable</u> |
|--------------|---------------------------------|----------------|------------------------------|
| General      | \$ 77,223                       | Tax Collection | \$228,389                    |
| Debt Service | 147,008                         |                |                              |
| Sewer        | <u>4,158</u>                    |                |                              |
|              | <u>\$228,389</u>                |                | <u>\$228,389</u>             |

**Note 9: SEWER SYSTEM AND BONDED INDEBTEDNESS:**

In June 1996, the County of Lenawee issued bonds for construction of a sewer system partially located in Franklin Township. Franklin Township has pledged its full faith and credit to pay its portion of the debt (\$1,931,800). However, the Township has established special assessments to cover the full Debt Service Obligation.

**FRANKLIN TOWNSHIP**  
**Notes To Financial Statements**  
**March 31, 2004**

**Note 10: DEBT SERVICE OBLIGATIONS:**

The Debt Service requirements on the sewer system bonds follow:

**FRANKLIN TOWNSHIP SHARE OF THE:**

**LENAWEE COUNTY SEWAGE DISPOSAL BONDS**

**(CAMBRIDGE/FRANKLIN SEWAGE DISPOSAL SYSTEM), SERIES 1996**

**DEBT SERVICE SCHEDULE**

| <u>Date</u> | <u>Principal</u>      | <u>Interest</u>     | <u>Period Total</u>   | <u>Fiscal Total</u>   |
|-------------|-----------------------|---------------------|-----------------------|-----------------------|
| 5/1/04      | \$ 106,600.00         | \$ 35,044.10        | \$ 141,644.10         | \$                    |
| 11/1/04     |                       | 31,046.60           | 31,046.60             | 172,690.70            |
| 5/1/05      | 106,600.00            | 31,046.60           | 137,646.60            |                       |
| 11/1/05     |                       | 27,049.10           | 27,049.10             | 164,695.70            |
| 5/1/06      | 106,600.00            | 27,049.10           | 133,649.10            |                       |
| 11/1/06     |                       | 23,051.60           | 23,051.60             | 156,700.70            |
| 5/1/07      | 106,600.00            | 23,051.60           | 129,651.60            |                       |
| 11/1/07     |                       | 19,480.50           | 19,480.50             | 149,132.10            |
| 5/1/08      | 106,600.00            | 19,480.50           | 126,080.50            |                       |
| 11/1/08     |                       | 17,082.00           | 17,082.00             | 143,162.50            |
| 5/01/09     | 106,600.00            | 17,082.00           | 123,682.00            |                       |
| 11/1/09     |                       | 14,683.50           | 14,683.50             | 138,365.50            |
| 5/1/10      | 101,400.00            | 14,683.50           | 116,083.50            |                       |
| 11/1/10     |                       | 12,402.00           | 12,402.00             | 128,485.50            |
| 5/1/11      | 101,400.00            | 12,402.00           | 113,802.00            |                       |
| 11/1/11     |                       | 10,120.50           | 10,120.50             | 123,922.50            |
| 5/1/12      | 98,800.00             | 10,120.50           | 108,920.50            |                       |
| 11/1/12     |                       | 7,897.50            | 7,897.50              | 116,818.00            |
| 5/1/13      | 96,200.00             | 7,897.50            | 104,097.50            |                       |
| 11/1/13     |                       | 5,733.00            | 5,733.00              | 109,830.50            |
| 5/01/14     | 117,000.00            | 5,733.00            | 122,733.00            |                       |
| 11/1/14     |                       | 3,100.50            | 3,100.50              | 125,833.50            |
| 5/1/15      | 137,800.00            | 3,100.50            | 140,900.50            |                       |
| 11/1/15     |                       |                     |                       | 140,900.50            |
|             | <u>\$1,292,200.00</u> | <u>\$378,337.70</u> | <u>\$1,670,537.70</u> | <u>\$1,670,537.70</u> |

**Note 11: CASH:**

**DEPOSITS**

At year end, the carrying value of the Township's deposits was \$1,466,160. \$200,000 of the bank balance was fully insured by federal depository insurance. At certain times of the year, when property taxes are being collected, the Township has uninsured and uncollateralized deposits; as a result, the amounts of uncollateralized deposits at those times can be substantially higher. All deposits are with a bank located in Michigan.

FRANKLIN TOWNSHIP  
Combining Balance Sheet  
All Fiduciary Funds  
March 31, 2004

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Expendable Trust Fund

Lindberg Cemetery  
Trust Fund

**Assets:**

Cash and Investments  
Taxes Receivable

\$1,046

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**Total Assets**

\$1,046

**Liabilities and Fund Balance:**

**Liabilities:**

Due to General Fund  
Due to Debt Service Fund  
Due to Sewer Fund  
Due to Sand Lake Fire Department  
Due to Schools  
Due to County and Other Governments  
Performance Bond Payable

\$ ---

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**Total Liabilities**

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Fund Balance

1,046

**Total Liabilities and Fund Balance**

\$1,046

| <u>Agency Funds</u>                  |   | <u>Totals</u><br>(Memorandum Only) |                              |
|--------------------------------------|---|------------------------------------|------------------------------|
| <u>Tax Collection</u><br><u>Fund</u> | <u>Trust &amp; Agency</u><br><u>Funds</u> | <u>2004</u><br><u>Actual</u>       | <u>2003</u><br><u>Actual</u> |
| \$321,592                            | \$2,186                                   | \$324,824                          | \$236,008                    |
| ---                                  | 6,126                                     | 6,126                              | 15,700                       |
| <u>\$321,592</u>                     | <u>\$8,312</u>                            | <u>\$330,950</u>                   | <u>\$251,708</u>             |
| <br>\$ 77,223                        | <br>\$ ---                                | <br>\$ 77,223                      | <br>\$ 77,277                |
| 147,008                              | ---                                       | 147,008                            | 155,716                      |
| 4,158                                | ---                                       | 4,158                              | 3,360                        |
| ---                                  | ---                                       | ---                                | 1,610                        |
| 21,135                               | ---                                       | 21,135                             | 21                           |
| 72,068                               | 7,532                                     | 79,600                             | 10,917                       |
| ---                                  | 780                                       | 780                                | 1,780                        |
| <u>321,592</u>                       | <u>8,312</u>                              | <u>329,904</u>                     | <u>250,681</u>               |
| ---                                  | ---                                       | 1,046                              | 1,027                        |
| <u>\$321,592</u>                     | <u>\$8,312</u>                            | <u>\$330,950</u>                   | <u>\$251,708</u>             |



# PHILIP R. RUBLEY

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'S  
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

July 9, 2004

**Township Board  
Franklin Township  
Lenawee County  
Tipton, MI 49287**

We have examined the combined financial statements of the Franklin Township, Lenawee County, Michigan and the combining, individual fund and account group financial statements of the Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 9, 2004. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgements required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal

accounting control for the year ended March 31, 2004, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions, which we consider to be material weaknesses for which corrective action by the management of Franklin Township as recommended:

1. **Accounting System**

Adjustment for balances, etc. from previous year examinations need to be reflected in the accounting records.

2. **Treasurer Duties**

The treasurer is presently doing part of the accounting functions and the treasurer duties. There should be procedures in place to separate part of these duties between the Clerk and Treasurer for proper checks and balances.

3. **Distribution of Tax Revenues**

It is imperative that tax revenues collected be distributed within 15 days of receipt, to comply with MCL, to other authorities.

4. **Uniform Chart of Accounts**

Updating and using the Michigan Uniform Accounting Chart of Accounts should be adhered to.

5. **Governmental Accounting Standard Board Statement No. 34 - Basic Financial Statements - And Management's Discussion and Analysis**

Effective June 15, 2001 the Governmental Accounting Standard Board pronouncement 34 was set in motion. This changes many items in the reporting model. There are six major differences between the current model and Statement 34.

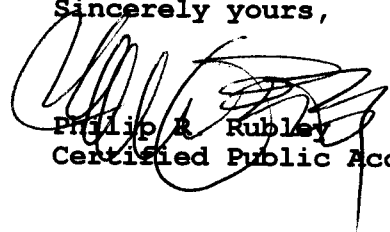
1. Key definitions for governmental reporting. The objective here is to enhance the understandability and usefulness of the general-purpose external financial reports to users. This will require government - wide financial statements along with fund financial statements.
2. Letter of Transmittal and Management Discussion and Analysis. The objective is for management to outline projects and initiatives, describe service efforts and accomplishments and include descriptions of reporting requirements and acknowledgments.
3. Combined Financial Statements and government - side reporting.
4. Infrastructure accounting and reporting.
5. Measurement focus and basis of accounting. The objective - full accrual accounting vs. modified accrual basis for government - wide statements. Fund statements will be accrual and modified accrual.
6. Revisions to Fund Financial Statements.

Effective date for Franklin Township will be years beginning after June 15, 2004. It will be necessary to start by the end of this fiscal year March 31, 2004 to comply for fiscal year March 31, 2005.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated July 9, 2004, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely yours,



Philip A. Rubley  
Certified Public Accountant

PRR/cab